MONTANA Economy at a Glance

Employee Benefits Survey

The Employee Benefits Survey was mailed out on November 9th, 2004. The survey was designed to provide a more complete picture of Montana's economy by collecting information on the types of benefits offered by employers throughout the state. While the Research & Analysis Bureau currently provides wage information, a paycheck represents only part of a worker's total compensation.

Through the survey, R&A will be able to report information on the cost of benefits; retirement benefits offered; medical, dental, vision, life, and disability insurance costs; and paid vacation, sick, and holiday leave. This information can be used by employers, employees, insurance professionals, health care providers, and public sector officials at all levels of government.

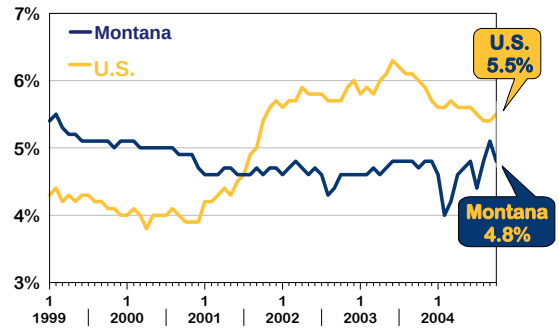
If you are an employer and receive the survey form, please take the time to fill it out. Your efforts are greatly appreciated.

Earnings

Average weekly earnings for Montana's private sector workers rose to $436.16 in October from $424.91 in September. This average marks an over-the-year increase of 3.7%. The Consumer Price Index (an indicator of U.S. inflation) increased by 3.2% over-the-year.

Unemployment

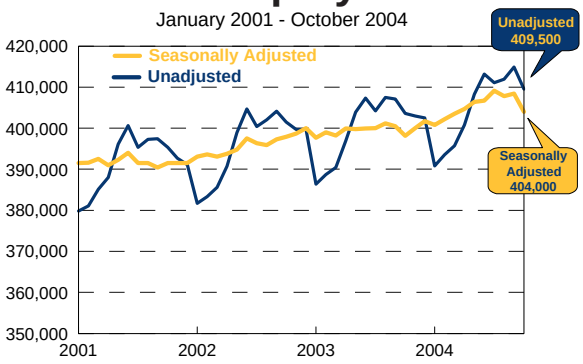
Seasonally adjusted (preliminary October 2004 data)



Montana's seasonally adjusted unemployment rate dropped 0.3 percentage points to 4.8% for October, while the U.S. rate rose slightly to 5.5%, up from 5.4% in September.

Nonfarm Employment Series

January 2001 - October 2004



Montana's **seasonally-adjusted**, nonagricultural payroll employment was up about 5,900 jobs (1.5%) over-the-year for October. The largest over-the-year gains were in construction, which was up by 2,800 jobs (12.5%); education and health service, up 800 jobs (1.5%); and natural resources and mining, up 700 jobs (11.5%).

Employment by Industry

Industry Employment (in thousands)	Oct. 2004	Oct. 2003	Net Change	Percent Change
Total Non-Agricultural	404.0	398.1	5,900	1.5%
Natural Resources & Mining	6.8	6.1	700	11.5%
Construction	25.2	22.4	2,800	12.5%
Manufacturing	17.9	17.9	0	0.0%
Trade, Transportation, Utilities	85.0	84.4	600	0.7%
Information*	7.6	7.4	200	2.7%
Financial Activities	20.8	20.3	500	2.5%
Professional & Business Services	33.6	33.0	600	1.8%
Education & Health Services	54.5	53.7	800	1.5%
Leisure & Hospitality	51.3	51.6	-300	-0.6%
Other Services*	16.3	15.9	400	2.5%
Total Government	85.0	85.4	-400	-0.5%

*These series are not seasonally adjusted

Unemployment by County

Not seasonally adjusted

	*October 2004**	*October 2003*
UNITED STATES	5.1%	5.6%
MONTANA	4.3%	4.2%
Cascade **	4.5%	4.3%
Missoula **	3.6%	3.1%
Yellowstone **	3.6%	3.4%
Beaverhead	2.7%	2.7%
Big Horn	14.1%	13.3%
Blaine	5.9%	4.7%
Broadwater	3.5%	4.5%
Carbon	4.0%	3.3%
Carter	2.7%	1.5%
Chouteau	2.4%	2.3%
Custer	2.8%	2.1%
Daniels	0.7%	1.6%
Dawson	2.2%	1.8%
Deer Lodge	6.3%	6.8%
Fallon	2.1%	2.1%
Fergus	3.9%	3.5%
Flathead	5.7%	6.5%
Gallatin	2.8%	2.9%
Garfield	2.3%	1.1%
Glacier	12.5%	11.4%
Golden Valley	5.2%	4.7%
Granite	3.8%	5.8%
Hill	4.3%	3.1%
Jefferson	3.8%	4.3%
Judith Basin	3.0%	2.8%
Lake	5.8%	5.9%
Lewis & Clark	4.0%	3.2%
Liberty	3.0%	2.0%
Lincoln	10.2%	12.3%
McCone	1.1%	1.4%
Madison	2.5%	3.1%
Meagher	4.6%	4.0%
Mineral	7.2%	7.7%
Musselshell	5.7%	6.3%
Park	3.9%	4.0%
Petroleum	2.8%	3.1%
Phillips	2.9%	3.3%
Pondera	5.8%	4.6%
Powder River	1.9%	1.0%
Powell	6.5%	5.9%
Prairie	2.0%	3.5%
Ravalli	4.7%	5.2%
Richland	2.6%	2.9%
Roosevelt	9.0%	7.7%
Rosebud	5.6%	5.8%
Sanders	6.1%	6.2%
Sheridan	1.5%	2.2%
Silver Bow	4.8%	5.0%
Stillwater	2.8%	2.8%
Sweet Grass	1.8%	2.3%
Teton	3.1%	2.6%
Toole	2.9%	2.2%
Treasure	4.0%	1.7%
Valley	3.5%	2.8%
Wheatland	2.9%	3.1%
Wibaux	2.6%	2.0%

**October 2004 rate preliminary*
*** Cascade=Great Falls MSA*
Missoula= Missoula MSA
Yellowstone=Billings MSA

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October 2004

Montana Economy at a Glance

New and Improved Local Area Unemployment Statistics

by Brad Eldredge

Unemployment statistics are one of the most closely watched indicators of an area's economic well-being. The unemployment rate is often used in funding formulas of federal and state economic development and social assistance programs. It is therefore crucial that these estimates be both accurate and timely. To improve the accuracy of Local Area Unemployment Statistics (LAUS) estimates, the Bureau of Labor Statistics (BLS) has redesigned certain aspects of the LAUS estimation methodology, and the resulting changes will take effect starting in January 2005.

Statewide Model:

Historically, each state's unemployment rate was estimated using a separate regression model. At the end of each year during a process called benchmarking, the state labor force, employment, and unemployment estimates were adjusted to add up to that year's Current Population Survey (CPS) totals.[1] The benchmarking process resulted in states' numbers undergoing substantial adjustments at the end of every year. Under the new methodology, states' estimates will be adjusted to match national totals every month. This process is called real-time benchmarking, and will lead to more accurate unemployment rate estimates in two ways. First, it will no longer be necessary to do substantial benchmark revisions at the end of the year. Second, state models will better reflect turning points in the national economy because they are tied directly to the CPS.

Another major advantage is that over-the-year comparisons of LAUS estimates will be more valid, because the comparisons will now be between two benchmarked series rather than between a benchmarked and an unbenchmarked series. Montana has been running the new state model simultaneously with the current model during the past year in order to compare monthly results. Both models have given similar results, and it is not anticipated that the introduction of the new model will materially affect Montana's statewide unemployment rate estimates.

The new regression model also comes with statistically valid monthly error measures for both the seasonally adjusted and unadjusted unemployment rates. This allows us to calculate an error range within which we are reasonably confident the true unemployment rates fall. The new model will also allow us to calculate whether over-the-month changes in the unemployment rate are statistically significant or likely to be attributable to statistical noise.

Sub-State Estimates:

Dynamic Residency Ratios for Sub-State Areas:

The LAUS program estimates employment using data from the Current Employment Statistics (CES) and Quarterly Census of Employment and Wages (QCEW) programs. CES and QCEW data needs to be adjusted before it is used in the LAUS program because the CES and QCEW programs count the number of **jobs** located in an area, while the LAUS program counts the **employed individuals** living in an area. For example, many of Jefferson County's residents commute to Lewis and Clark County to work. Therefore, they are counted in Lewis and Clark County's CES and QCEW numbers, but need to be counted as Jefferson County residents for LAUS purposes. Currently, county numbers are adjusted by multiplying the ratio of employed individuals to total non-farm jobs from the most recent census by the county's current CES and QCEW employment estimates. This methodology assumes that this ratio is fixed for

[1] *The Current Population Survey (CPS) is used by the BLS to compute the national unemployment rate every month and represents the standard the LAUS program seeks to replicate in producing local unemployment estimates.*

the next ten years until a new census is conducted. The new methodology takes into account commuting patterns between counties, rather than relying on a static ratio from the census. Therefore, if Lewis and Clark county experienced an employment boom, the new methodology would allocate a portion of the new employment to Jefferson County based on commuting patterns between the two areas. Under the old system, the effects of the boom on Jefferson County residents would not be captured until the next census. The new methodology should give more accurate LAUS estimates, especially in areas where large cross-county commuting patterns are coupled with rapid job growth or decline.

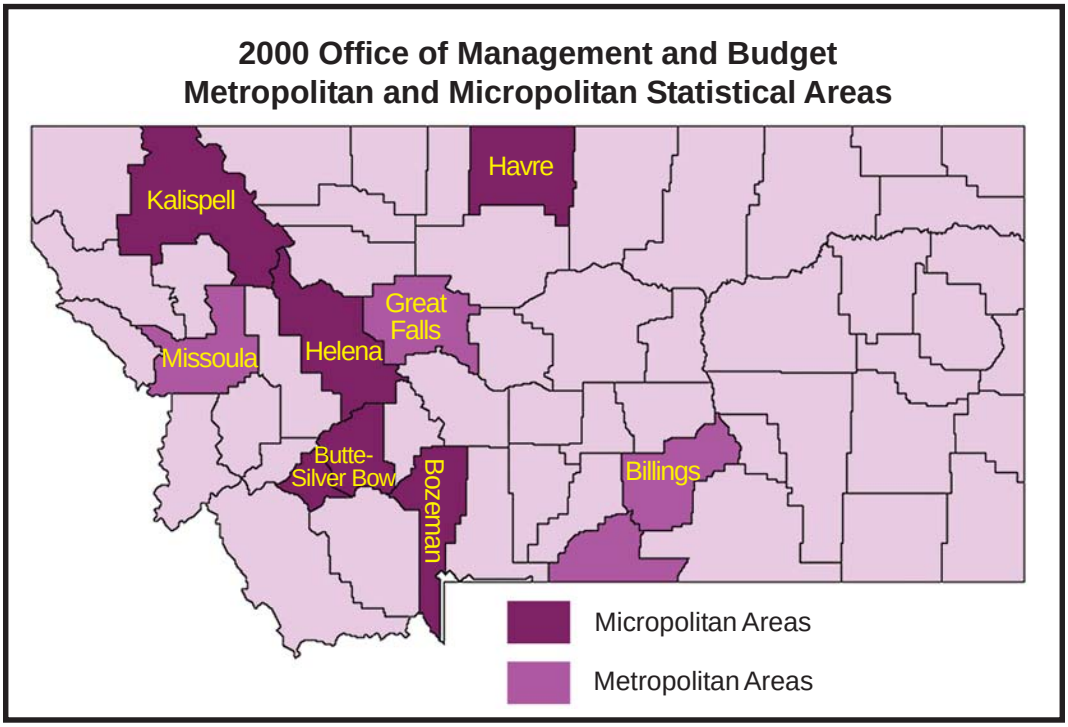
New and Re-entrant Unemployment:

Unemployment insurance claims represent only a portion of an area's total unemployment. The rest include new entrants (those entering the labor force for the first time) and re-entrants (those returning to the workforce after a period of absence, e.g. to raise children, etc.). The current LAUS methodology is based on outdated research and substantially undercounts the number of new and re-entrants at the county level. The new methodology calculates new and re-entrants at the statewide level based on historical data from the CPS. These estimates are then allocated to counties and other sub-state areas based on the area's share of the total population aged 16 to 19 (for new entrants) and the population aged 20 and over (for re-entrants). It is anticipated that the impact of this change will be small, with the possible exception of areas with large universities.

New 2000 Office of Management and Budget Statistical Areas:

The Office of Management and Budget defines a metropolitan statistical area (MSA) as a county with a central urban area of 50,000+ people, plus any adjacent counties that meet commuting standards. Currently, Montana has three MSAs: Billings (Yellowstone County), Great Falls (Cascade County), and Missoula (Missoula County). Beginning next year, the Office of Management and Budget 2000 MSA definitions will be implemented in LAUS. The Missoula and Great Falls MSAs will remain unchanged, while the Billings MSA will now include both Yellowstone and Carbon Counties. In addition, a new area classification, micropolitan statistical areas, will be implemented in 2005. Micropolitan areas have a central urban area with a population of 10,000 to 49,999. In Montana, Bozeman (Gallatin County), Butte-Silver Bow (Silver Bow County), Havre (Hill County), Helena (Jefferson and Lewis and Clark Counties), and Kalispell (Flathead County) have been designated as micropolitan statistical areas. Monthly LAUS estimates will be produced for both the metropolitan and micropolitan statistical areas, providing more localized information.

The implementation of the aforementioned LAUS redesign methodological changes should further improve the accuracy of the monthly LAUS estimates. For additional information, please contact Brad Eldredge at (406) 444-5474 or beldredge@state.mt.us.



County Fliers Updates Now Available

County fliers provide an economic and demographic snapshot of Montana and several counties. They offer information on top local employers, population figures, employment by industry in Montana and the counties, a narrative on each county including weather and historical information, and a resource section with important telephone numbers for various agencies.

The county fliers will be produced in color, full of updated information, and include a new table on the kinds of farms and ranches in Montana's counties and statewide. The information is from the 2002 Census of Agriculture and provides a glimpse of agriculture in Montana. It lists the numbers of farms and ranches by category, for example, the number of oilseed and grain farms; sugar beets, hay and all other crops farms; and livestock ranches and farms. The information was added because most agricultural establishments (farms/ranches) are not included in other employment tables.

The Montana statewide, Richland County, and Valley County fliers were recently released on our website. Fliers for the following counties will be produced in this order: Roosevelt, Rosebud, Big Horn, Madison, Beaverhead, Carbon, Glacier, Toole, Judith Basin, Dawson, Deer Lodge, Fergus, Stillwater, Broadwater, Park, Ravalli, Gallatin, Flathead, Yellowstone, Silver Bow, Hill, Cascade, Lake, Missoula, Lewis and Clark, Custer, Jefferson, Mineral, Lincoln, Sanders, and Petroleum. This monthly publication will keep you up to date on the most recent releases of new fliers and all fliers should be updated by June 2005. You can find the county fliers on our website at: www.ourfactsyourfuture.org, or request a copy by calling toll free, 800-541-3904.

by Tina Hash

R&A's Newest Staff Member

The Research & Analysis Bureau is pleased to introduce our new administrative assistant, Donetta Ulmer. Donetta attended the Administrative Medical Assistant Program at the Helena College of Technology, as well as spending a semester at the University of Montana-Missoula. She has held a number of customer service positions, and has worked as a Check Specialist at the Helena branch of the Federal Reserve Bank of Minnesota. Originally from Bozeman, Donetta has also lived in Townsend, Missoula, and Helena, enjoying the wealth of outdoor activities that Montana provides.

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